

Message Text

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12

ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 /100 W
----- 130451

P R 232050Z JUL 76

FM AMEMBASSY LIMA

TO SECSTATE WASHDC PRIORITY 1128

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY LA PAZ

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

AMEMBASSY CARACAS

LIMITED OFFICIAL USE LIMA 6761

DEPARTMENT PASS COMMERCE (MEPD) AND INTERIOR

E.O. 11652: N/A

TAGS: ENRG, EINV, EALR, PE

SUBJECT: GOP INVITES FOREIGN OIL COMPANIES TO RETURN

REF: LIMA 6544, LIMA A-66

1. SUMMARY: GOP IN DRAMATIC MOVE HAS INVITED FOREIGN OIL COMPANIES TO NEGOTIATE NEW EXPLORATION AND EXPLOITATION CONTRACTS. CONTRACTS WILL BE NEGOTIATED FOR JUNGLE AND CONTINENTAL SHELF BLOCKS ON CASE-BY-CASE BASIS DEPENDING ON GEOGRAPHICAL AND GEOLOGICAL FACTORS. PERU MODEL CONTRACT CONCEPT APPEARS TO BE DEFUNCT. GOP HAS HIGH HOPES THAT NEW MEASURES WILL ATTRACT WIDESPREAD INTEREST AMONG FOREIGN OIL COMPANIES, BUT IT IS UNCERTAIN WHETHER COMPANIES WILL IN FACT RETURN FOR A NEW TRY AT THIS LATE DATE. END SUMMARY.

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2. AS HAD BEEN EXPECTED, THE GOP HAS REOPENED THE NORTHEASTERN, CENTRAL, AND SOUTHERN JUNGLE AREAS, AS WELL AS THE CONTINENTAL SHELF, FOR OIL EXPLORATION AND EXPLOITATION CONTRACTS. JULY 21 EDITION OF OFFICIAL GAZETTE "EL PERUANO" PUBLISHED SUPREME DECREE NO. 029-76-EM/DGH OF JULY 20, 1976, WHICH ANNOUNCES GOP ACTION.

3. BLOCKS WHICH ARE NOW AVAILABLE FOR CONTRACT NEGOTIATION BETWEEN GOP AND INTERESTED COMPANIES ARE AS FOLLOWS:

CONTINENTAL SHELF - BLOCKS Z3 TO Z27

NORTHEASTERN JUNGLE - BLOCKS 1 - 1B - 3 - 5 - 6 - 7 - 9 - 10 - 11 - 12 - 13 - 14 - 17 - 18 - 19 - 20 - 21 - 22 - 23 - 24 - 25 - 26 - 27 AND 50

CENTRAL JUNGLE - BLOCKS 15 - 16 - 28 - 29 - 30 - 32 - 34 - 36 - 37 - 38 - 39 - 40 - AND 41

SOUTHERN JUNGLE - BLOCKS 42 - 43 - 44 - 45 - 48 AND 49.

THE MAJORITY OF THESE BLOCKS HAVE NOT BEEN OPEN TO EXPLORATION BEFORE.

4. AREAS PREVIOUSLY ASSIGNED TO FOREIGN CONTRACTORS UNDER THE PERUVIAN MODEL CONTRACT, AND WHICH REVERTED TO THE STATE ACCORDING TO SPECIFICATIONS IN THE CONTRACT, ARE ALSO OPENED TO NEW BIDDERS (I.E., BLOCKS 3 - 6 - 7 - 10 - 11 - 12 - 13 AND 14 IN THE NORTHEASTERN REGION, AND 36 AND 39 IN THE CENTRAL JUNGLE).

5. BLOCKS 4 IN THE NORTHERN JUNGLE, 33 IN THE CENTRAL JUNGLE, AND 46 AND 47 IN THE SOUTHERN JUNGLE, PRESENTLY BEING EXPLORED BY OCEANIC, SIGNAL, CITIES SERVICE AND ANDES, RESPECTIVELY, WILL REMAIN ASSIGNED TO PETROPERU IN ACCORDANCE WITH THE MODEL CONTRACT. HOWEVER, ONCE THESE BLOCKS REVERT TO THE STATE, THEY TOO WILL BECOME AVAILABLE FOR EXPLORATION UNDER NEWLY NEGOTIATED CONTRACTS. BLOCKS 2 AND 8 IN THE NORTHERN JUNGLE AND 31 AND 35 IN THE SOUTHERN JUNGLE LIMITED OFFICIAL USE

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WILL REMAIN ASSIGNED TO PETROPERU.
(COMMENT: APPARENTLY THE GOP IS RETAINING CONTROL OF BLOCKS 31 AND 35 (AND LATER 33) BECAUSE THE AGUAS CALIENTES AND MAQUIA FIELDS, WHICH ARE ACTUALLY PRODUCING, AND A LARGE GAS DEPOSIT ARE LOCATED IN THE AREA. END COMMENT
BLOCK 1A UNDER DEVELOPMENT IN THE NORTHERN JUNGLE AND BLOCKS Z1 AND Z2 UNDER CONTRACT AND UNDER DEVELOPMENT, RESPECTIVELY, IN THE SHELF WILL REMAIN ASSIGNED TO PETRO-

PERU UNDER THE PERUVIAN MODEL CONTRACT.

6. SUPREME DECREE 029-76-EM/DGH ALSO CALLS FOR INTERNATIONAL BIDDING TO CARRY OUT SECONDARY RECOVERY OPERATIONS IN THE OLD LA BREA Y PARINAS, LOBITOS, EL ALTO AND LOSX ORGANOS IN NORTHWESTERN PERU. SPECIFICATIONS FOR THE BIDS ARE TO BE RELEASED BY THE MINISTRY OF ENERGY AND MINES WITHIN 30 DAYS FROM THE DATE OF THE DECREE. THERE HAD BEEN REPORTS THAT A ROMANIAN FIRM HAD BEEN GIVEN A CONTRACT FOR SECONDARY RECOVERY WORK IN A PORTION OF THIS AREA, BUT LOCAL SOURCES BELIEVE THAT THE NEW SUPREME DECREE WILL SUPERSEDE ANY AGREEMENT ALREADY REACHED AND WILL FORCE THE ROMANIANS TO COMPETE WITH OTHER BIDDERS.

7. COMMENT:

A. AS REPORTED IN LIMA 6544, THIS CHANGE IN THE GOP'S PETROLEUM POLICY IS A RESULT OF PERU'S DESIRE TO BECOME SELF-SUFFICIENT IN PETROLEUM AND ITS GREAT NEED TO SLOW ITS FOREIGN EXCHANGE OUTFLOW. LOGICALLY, THESE CONCERNS WOULD HAVE PROMPTED THE GOP TO OPEN ALL OF ITS POTENTIAL PETROLEUM PRODUCING AREAS TO EXPLORATION AT AN EARLIER DATE. HOWEVER, THIS POLICY WAS APPARENTLY ANATHEMA TO FORMER PRIME MINISTER FERNANDEZ MALDONADO, WHO, IT IS SAID, REFUSED TO OPEN A MAJOR PORTION OF THE JUNGLE AREA FOR EXPLORATION BY FOREIGN COMPANIES. ACCORDING TO SOME SOURCES, FRICTION BETWEEN FERNANDEZ MALDONADO AND GENERAL CARLOS BOBBIO DEVELOPED PARTLY DUE TO THEIR OPPOSING VIEWS OVER THIS POLICY AND EXTENDS BACK TO WHEN FERNANDEZ MALDONADO WAS MINISTER OF ENERGY AND MINES AND BOBBIO WAS GENERAL MANAGER OF PETROPERU. THESE SOURCES ALSO CLAIM THAT DISCUSSION WITHIN THE GOP ON THIS NEW SUPREME DECREE HELPED SPARK LIMITED OFFICIAL USE

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THE GOP'S RECENT INTERNAL DISCORD, LEADING EVENTUALLY TO THE RETIREMENT OF BOTH MEN. NO DOUBT THERE IS SOME BASIS FOR THIS ACCOUNT, AND THE FACT THAT THE DECREE WAS ISSUED AT THE FIRST OPPORTUNITY AFTER FERNANDEZ MALDONADO'S DEPARTURE GIVES IT ADDED STRENGTH.

B. AN IMPORTANT QUESTION, OF COURSE, IS WHETHER THE NEW DECREE AND THE OPPORTUNITY IT APPARENTLY OFFERS FOR NEGOTIATING MORE FAVORABLE CONTRACTS WITH THE GOP WILL BRING BACK THE FOREIGN OIL COMPANIES FOR A SECOND TRY AT PERU'S PETROLEUM. WHILE THERE ARE SOME PEOPLE WHO BELIEVE THE PETROLEUM POTENTIAL IS SUFFICIENTLY STRONG TO ATTRACT THE COMPANIES BACK, GIVEN MORE FAVORABLE CONTRACT TERMS. MOST OBSERVERS FEEL THAT THE COMPANIES WILL MOVE VERY CAUTIOUSLY, HAVING BEEN BURNED HERE ONCE ALREADY. THE

NEXT FEW MONTHS, AS CONTRACT NEGOTIATIONS OPEN, WILL GIVE AN INDICATION OF HOW FAR THE GOP IS WILLING TO GO IN ITS DESIRE TO ATTRACT FOREIGN COMPANIES. THE COMPANIES' REACTION TO PERU'S NEW POLICY WILL ALSO BECOME EVIDENT IN THIS PERIOD, AND COULD BE AN INDICATION OF HOW MUCH PERU SHOULD DEPEND ON PETROLEUM TO BRING IT OUT OF ITS CURRENT ECONOMIC DIFFICULTIES.

8. THE EMBASSY IS POUCHING MAP DELINEATED WITH ALL THE BLOCKS AND A COPY OF THE SUPREME DECREE 029-76-EM/DGH TO ARA/EP.
DEAN

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NNN

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